ANNUAL REPORT 2000-2001

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nkdf

Nechako-Kitamaat
Development Fund Society

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Table of Contents

1.0 Society Overview ***Page 1***

1.1 Mandate
1.2 Background of the Fund
1.3 Guiding Principles
1.4 Investment Area
1.5 Who are we?
1.6 Government Relations

2.0 2000-01 Goals and Achievements ***Page 5***

2.1 Operations Overview
2.2 Programs Overview
2.3 Other Activities

3.0 Program Details ***Page 10***

3.1 Overview of Business Loan Program
3.2 Overview of Grants Programs

4.0 Financial Statements ***Page 23***

1.0 Society Overview

1.1 Mandate

The mandate of the Nechako-Kitamaat Development Fund Society (NKDFS) is to promote sustainable economic activity in northern communities impacted by the Kitimat-Kemano Project and by the creation of the Nechako Reservoir. A permanent Nechako-Kitamaat Development Fund, which is sustained through investment, funds programs and projects with goals of economic development and community stability that are consistent with each community's values.

The Nechako-Kitamaat Development Fund is managed through a Legacy Fund of $10 million, invested to grow to protect the purchasing power of $15 Million over time. There is an initial $5 Million in a Working Fund to invest in the loan and grant programs of the Nechako-Kitamaat Development Fund. Future growth of the Legacy Fund and the Working Fund will be used to provide additional economic and social benefits over time[1].

1.2 Background of the Fund

The $15 million Northern Development Fund, to which both Alcan and the BC government each contributed $7.5 million, was created as a result of the BC-Alcan 1997 Agreement. This Agreement resolved the legal issues associated with the cancellation of the Kemano Completion Project. Bill 5, the "BC-Alcan Northern Development Fund Act", to promote sustainable economic development in Northwestern BC, was approved by the Legislature in April 1998. An Advisory Board for the Northern Development Fund was established in January 1998 to provide the Minister responsible for the Fund with recommendations for how the Fund should be managed and used to stimulate economic development.

Following the submission of recommendations to the Minister for approval in November 1998, the NKDFS was created to manage the programs supported by the Northern Development Fund and to implement the recommendations of the Advisory Board. The NKDFS was incorporated on August 18, 1999.

This is the second annual report of the NKDFS and reflects the Society's first full year of operation[2].

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[1] As of March 31, 2001, the lion's share of the Fund is under the control of the provincial government, through the British Columbia Investment Management Corporation. Since inception, the Society has received $2 million.

[2] The previous annual report was based on the first seven months of Society operations, following incorporation in August 1999.

1.3 Guiding Principles of the Fund

The management of the NKDF is guided by the following principles:

COMMUNITY ECONOMIC DEVELOPMENT	The NKDF will invest in community economic development projects and/or programs that are supported by the community.
JOB CREATION & ENHANCEMENT	Creating new jobs and enhancing existing jobs are priorities of the NKDF.
SUSTAINABLE EMPLOYMENT	Priority of the Fund will be to support long term employment both full time and seasonal.
COMMUNITY INTERRELATIONSHIPS	The fund recognizes the value of interrelationships of communities. Consideration will be given to proposals that originate outside the Nechako Region and Kitamaat Village if they demonstrate a benefit to those areas.
CLEAR AND ACCESSIBLE	The fund will have policies and programs that are accessible, with clearly defined evaluation criteria.
FIRST NATIONS PARTICIPATION	First Nation participation in the fund will not prejudice the First Nation land claim process.
LOCAL CONTROL	The NKDF Society will be made up of people who live in Northwestern BC with the majority of Board members residing in the Nechako Region or Kitamaat Village. The Board will determine the ongoing management of the fund.
BENEFITTING FUND	The NKDF is intended to create benefits through sustainable community economic development. It is not intended to be compensation for those who believe themselves to have been negatively affected by the Kitimat-Kemano Project, the creation of the Nechako Reservoir or the cancellation of the Kemano Completion Project.
COOPERATIVE VENTURES	The NKDF can be utilized in cooperative ventures along with other funding sources.
NO DUPLICATION	The NKDF will not duplicate, but may augment, existing economic development programs.
LEGACY FUND	The NKDF will be managed through a legacy fund of $10 Million invested to grow to protect the purchasing power of $15 Million over time.*
WORKING FUND	The NKDF will place an initial $5 Million in a working fund to invest in loan and grant programs of the Fund.*
FUTURE OPPORTUNITIES	Future growth of the legacy fund and working fund will be used to provide additional economic and social benefits over time.

* Fund investments are managed on behalf of the provincial government, through the British Columbia Investment Management Corporation. Monies of the Northern Development Fund - to be used in support of the programs of the NKDFS - are in investment vehicles which are generally conservative but which also provide some opportunities for growth.

1.4 Investment Area

The investment area for the Nechako-Kitamaat Development Fund is the Nechako Region and the lands traditionally used by the Haisla people. This includes the communities and rural settlements associated with the Nechako Region; Vanderhoof, Ft. Fraser, Nautley (Nadleh Whut'en First Nation), Stoney Creek (Saik'uz First Nation), Cheslatta First Nation, as well as the settlements south of Grassy Plains in the Ootsa Lake area and Kitamaat Village.

It is recognized that there are economic relationships between the Nechako Region and Fort St James, Fraser Lake, Burns Lake and other communities in the Northwest. Accordingly, investments by the NKDF may be made in Northwestern BC outside the investment area, providing there is direct economic and/or job creation benefit to the Nechako-Kitamaat Region.

1.5 Who are we?

The NKDF Society is governed by a northern-based Board of ten appointees who intimately know the communities they represent. At March 31, 2001 the Board is comprised of:

- Alan Blackwell, Ootsa Lake
- Percy Campbell, Kitamaat Village
- June Clark, Vanderhoof (Secretary-Treasurer)
- Mario Feldhoff, Kitimat (Alcan representative)
- Dave Merz, Fort Fraser (Chair)
- Bob Murray, Burns Lake
- Karen Nyce, Smithers (Haisla First Nation)
- Glenda Olson, Vanderhoof
- Frank Read, Vanderhoof
- Bill Stewart, Prince George

Since August 1999, comprehensive management services have been provided to the Society by Cutting Edge Consulting, in Smithers. Based on an annual contract, management services are provided on a part-time basis, generally equivalent to 2.5 days/week, by company Partner, Fiona Glass. Back-up management services are provided, as needed, by Angus Glass.

Through the use of a toll free phone line (1 877 478 3863), the Society office can be reached easily and equitably from anywhere in the NKDFS investment area.

1.6 Government Relations

The NKDFS Manager works closely with staff[3] in the Ministry of Finance to ensure that Society actions continue to reflect the recommendations approved by the provincial government. A Society *Business Plan* is produced annually and approved by the Minister. Since the incorporation of the Society, $2 million has been transferred from the Northern Development Fund for operations and programs.

Until November 2000, responsibility for the Northern Development Fund lay with Honourable Dan Miller, Minister of Energy & Mines and Minister Responsible for Northern Development. Following a Cabinet shuffle, responsibility was moved to Honourable Paul Ramsey, Minster of Finance & Corporate Relations and Minister Responsible for Northern Development.

The Society also networks with government ministries and agencies such as Human Resources Development Canada and the Office of the Northern Development Commissioner to work supportively on programs of mutual interest. For example, the Ministry of Community Development, Cooperatives and Volunteers offers the *Community Enterprise* program which is a potential source of contributing funds for some of our applicants.

[3] Currently the Senior Coordinator for the Northern Development Commission.

2.0 2000-01 Goals and Achievements

2.1 Operations Overview

The following major operations goals were outlined in the NKDFS 2000-01 *Business Plan*:

- To maintain effective management services;
- To maintain an effective and fiscally responsible accounting system;
- To hold regular, effective Board meetings;
- To evaluate the effectiveness of Society operations (management services and Board operations);

An annual evaluation completed by Board members and the Manager reflected a high level of internal satisfaction with Society operations. Each major management activity[4] was rated on a scale of 1 – 4, with 1 being "poor" and 4 being "excellent".

All categories, but one, received ratings of "3" and "4". The one area where improvement was sought was in the frequency of communication from the Manager to the Board. This has been dealt with by the Manager providing written activity reports to the Board during the month between Board meetings, and at the appropriate time regarding any major issue.

The Board met in person six times during the year, with four conference calls occurring when timely decisions on Society business were required. The annual evaluation highlighted a solid level of satisfaction (with an average rating of "3") with the effectiveness of both Board meetings and conference calls, as well as the consensus-based decision-making process used.

Communities within the NKDFS investment area which are actively involved with the Society received two personal visits from the Manager during the year. Other communication regularly occurred by telephone and email throughout the year with representatives from key economic development organizations.

Representatives in two communities in the investment area (Saik'uz and Nadleh Whut'en First Nations) choose not to participate actively with the NKDFS at this time. They were, however, contacted several times during the year as a reminder that the "door remains open" to them.

Overall, the NKDFS Board thinks operations are running smoothly and efficiently.

[4] Major activities include communications with the Board and communities in the investment area; financial reports and administration; overall Society administration.

2.2 *Programs Overview*

Three programs were operational for all, or part, of the 2000-01 year:

- Community grants;
- Economic Development Capacity grants;
- Business Loans.

Program criteria can be found in Appendix I.

The following major program goals were outlined in the NKDFS 2000-01 *Business Plan*:

- To deliver up to $1 million in grants;
- To deliver up to $1 million in loans;
- To develop an effective communications plan for all Society programs;
- To evaluate effectively all grant applications;
- To evaluate effectively all business plans for the loans program (an overview evaluation only to ensure approved loans reflect the NKDFS mandate and guiding principles);
- To conduct evaluations of all approved projects (to ensure they reflect the NKDFS mandate and guiding principles).

2.2.1 Grant Programs

During the year, the NKDFS focused on continuing to build awareness of its mandate and programs. Communications tools such as regular press releases (seven during the year) and the maintenance of the NKDFS web-site helped to create a local profile, in addition to the circulation of NKDFS information kits. A new logo and stationary package added professionalism to the Society's overall image. In the annual evaluation, communications on Society programs were rated as "good".

Those involved with the Society continued to sense a growing awareness of the programs throughout the investment area. By year-end, however, not as many viable grant proposals had been received as initially anticipated (for details see page 10). Although the Society was informed of a significant number of proposals under development, several factors in the last fiscal year have limited the ability within investment area communities to submit some proposals:

- slightly depressed economy in the North[5];
- lack of economic development personnel;

[5] Bearing in mind that contributing funds are required for most NKDF projects, a depressed economy leads to "tightening the purse strings" on funds in general, thereby decreasing a community's ability to submit proposals.

- lack of alternative funding agencies for contributing funds.

All proposals received were reviewed for eligibility and completeness by the Society Manager, who also provided a review summary to the Board. Board members received all processed proposals at least one week prior to each board meeting / conference call for their own individual review based on NKDFS grant program criteria, mandate and guiding principles. Following discussion at Board level, decisions on funding were made.

The annual internal evaluation revealed that the majority of Board members are satisfied with the proposal evaluation mechanism (with an average rating of "3"). However, there is continued commitment to refining the mechanism as more proposals are processed.

The average rating for the effectiveness of both grant programs was "2" or "fair". There was overall disappointment in the low number of viable proposals received and this was related to the internal rating given.

The NKDFS is satisfied that all approved proposals reflect the mandate and intent of the Fund.

2.2.2 Business Loan Program

Much work went into the establishment of the new *Business Loans* program. Utilizing TFC Consulting (Saanich, BC) as the NKDFS Consultant, a cooperative relationship was formalized with the three Community Futures Development Corporations that service the NKDFS investment area. In November 2000, a formal agreement was signed for a $1 million loans program with the Community Futures Development Corporations of Stuart-Nechako (Vanderhoof, Fort Fraser and area), Nadina (South Side, Cheslatta First Nation) and 16/37 (Kitamaat Village).

Based on research during the developmental phase of the program, it was clear that there is likely to be a significant demand, over time, for these loans. The currently available loan capital, especially to the Community Futures Corporations, is simply too limited (in dollar terms) to meet the needs of northern entrepreneurs.

Another formal agreement was signed, the same month, with Royal Trust Investment Counsel[6] who won the bidding process to provide investment management services for this program. In November 2000, NKDFS paid $994,500 into the loans account with Royal Trust and kept $5500 in Society coffers to cover communications and administration costs for the program.

[6] Now RBC Private Counsel.

By the end of the fiscal year no loans had yet been made and most efforts on this program had been spent on advertising its availability and building a solid working relationship with the three collaborating Community Futures Development Corporations.

In March 2001, NKDFS was nominated by the three collaborating Community Futures Development Corporations for a "Community Futures Development Association Partnership" award.

Business Loans Program objectives are as follows:

- To support the establishment and expansion of small to medium sized businesses that benefit the NKDFS investment area;
- To provide financing for viable businesses that help diversify the local economy and create sustaining employment opportunities;
- To increase the amount of capital available for small businesses, with special attention to aboriginal businesses, in the Nechako-Kitamaat region;
- To provide loans, in collaboration with identified financial institutions, for approved business projects in a timely and fair manner, based on identified evaluation criteria

2.3 Other Activities

- Substantial efforts were made to investigate alternatives for the investment of the Northern Development Fund (a small portion of which has been transferred to the NKDFS for operations and programs) in order to maximize the benefit of Society investments to the investment area and the rate of return. Potential fund managers[7] were examined and an overview of legal requirements gathered. A round of public meetings was held in December 2000 and unanimous support for these efforts was expressed by community members;

- Community priorities identified by community economic development representatives were gathered to provide a context for Board discussion of grant proposals;

- Discussions were held between NKDFS and the Northern Development Commission, which oversees the *Community Enterprise* program for northern British Columbia. An informal agreement was developed for both agencies to collaborate when the same proposal is submitted to each. The goal behind this is to help streamline the process for the applicant and to avoid duplication of efforts. To date, there has been no opportunity to put the agreement into practice.

[7] The Northern Development Fund is currently managed by the British Columbia Investment Management Corporation and monies are held in the provincial government's Consolidated Revenue Fund.

3.0 Program Details

3.1 Overview of Business Loan Program

By the end of the 2000-01 fiscal year, the Business Loans program had yet to be utilized and a total of $1,010,866, including interest, remained in the account,. The account is managed, on behalf of the NKDFS, by RBC Private Counsel.

3.2 *Overview of Grants Programs*

The table below provides an overview of grant activity during the year.

Proposals received	Proposals approved	Proposals not approved	Total $ approved	Total $ paid in 2000-01
13	6	7	Up to $534,553	$149,053[8]

[8] Two hold-back amounts related to projects funded in the previous fiscal year were payable in this fiscal. $1500 went to Vanderhoof Speciality Wood Products (for the Touch Wood 2000 Steering Committee) for the *Touch Wood 2000 forum*; and $19 went to Vanderhoof Chamber of Commerce for their *Writing Winning Proposals* proposal-writing workshop.

3.2.1 Community Grant Program, 2000-01

The table below provides an overview of activities in the Community Grant program.

Proposals received	Proposals approved	Proposals not approved	Total $ approved
6	3	3	Up to $530,949[9]

To follow are further details on NKDFS proposals:

[9] This total includes one project which will be funded over 3 years pending funds available to the NKDFS and contributing funds being secured for years 2 and 3 by the proponent.

Project Title:	Vanderhoof Revitalization Project
Proponent:	**District of Vanderhoof (for Vanderhoof Revitalization Committee)**
Grant:	**Up to $375,000, over 3 years**
Date Approved:	**March 21, 2001**
Location:	**Vanderhoof**

Project Summary

This project was the first multi-year commitment made by the NKDFS, with $125,000 having been granted in this fiscal. Up to an additional $125,000 per year will be available for the project over the next two year pending availability of funds to the Society and the securing of contributing funds by the proponent.

Spearheaded by a volunteer group (Vanderhoof Revitalization Committee), acting under the auspices of the District of Vanderhoof, a comprehensive downtown beautification project is planned for the community. This reflects one of the priorities identified for development during a community priority-setting event in 1999.

It is anticipated that work will begin immediately.

Project Title:	**Design of Wathl Creek Commercial Area**
Proponent:	**Kitamaat Village Council**
Grant:	**Up to $145,500**
Date Approved:	**Approved for extension March 21, 2001 (original approval made March 21, 2000)**
Location:	**Kitamaat Village**

Project Summary

This project constitutes one phase of a long term goal to develop a commercial sector in Kitamaat Village, and has been identified as the main development priority of the community. This Society-supported phase involves the completion of detailed design of the Wathl Creek Commercial Area. Currently there is no area in the village which can support individual commercial ventures. The high cost of capital investment to develop land precludes individual entrepreneurs from coming forward. The design will include the drafting of a master land use plan and assessments by geotechnical, hydrotechnical and environmental consultants.

Kitamaat Village Council experienced some major delays (originally approved in March 2000) with this project due largely to:
a) discussion (ongoing) over the ownership of a portion of the land included in the project; and
b) difficulty in securing substantial contributing funds.

In March 2001, the Chief Councillor met in person with the Board and requested that the Society extend the agreement for another year. The Board agreed to do this pending receipt of some additional information. It is anticipated that the extension will be put in writing early in the new fiscal year. To date, $10,000 has been expended on this project.

Project Title: **Well Project – Wistaria Hall**

Proponent: Tweedsmuir Recreation Commission

Grant: $1449

Date Approved: June 7, 2000

Location: Wistaria, near Ootsa Lake

Project Summary

The Wistaria Hall was built in 1925 and since that time has been an integral part of community life for many rural-dwelling families on the south side of Burns Lake. The hall had been without a potable water system, so "good" water had to be brought in for events. Water for washing and the washrooms was hauled by truck to a holding tank. The purpose of this Society-supported project was to drill a well to provide a convenient source of "good" water.

This project was approved in the 1999-2000 fiscal year in the amount of $9000 (all of which was expended).

Well drilling commenced at the end of April 2000. However, at 370 feet, there was no appreciable water, even though the area had been "witched". Tweedsmuir Recreation Commission then approached NKDFS to fund, in part, the digging of an additional 100 feet. This request was approved in June 2000. However, the additional depth made no difference (at only 6 gallons/hour, the water in the well was probably just seepage) and the well was capped. Unfortunately this project was another reminder of the challenges of northern rural living!

Project Title:	**New Lodge for Ootsa Lake Bible Camp**
Proponent:	**Ootsa Lake Bible Camp Board**
Grant Amount approved:	**$9000.00**
Date Approved:	**May 17, 2000**
Location:	**Ootsa Lake** (50 km south of Burns Lake)

Project Summary

Ootsa Lake Bible Camp began in 1956 and its main purpose is to give children and youth an opportunity to make new friends, learn life skills and to become acquainted with their Creator. One of the purposes behind the new, expanded lodge is that more programs can be added for special needs groups such as seniors, families and people with disabilities. In addition, the camp is available to any local community group for retreats, training and entertainment. It is a focal part of the rural Ootsa community.

The goal of its board of Directors is to have the new lodge completed in 2002. The new lodge will have 10 bedrooms, washroom facilities on all floors, recreation / meeting room in the basement, a large meeting/dining room on the main floor and a full kitchen. It will be wheel-chair accessible and use-able year-round.

Application was made to the NKDFS for participation in part of the construction in the amount of $41,000 (total budget $99,000). A portion of that was approved.

Community Grant proposals not approved:

Vanderhoof Sewage Treatment Upgrade	District of Vanderhoof
Ootsa Lake Community Water Project	Ootsa Lake Community Water Society
Fort Fraser Public Sewage Receiving System	Regional District of Bulkley-Nechako

3.2.2 Economic Development Capacity Grant Program, 2000-01

The table below provides an overview of activities in the Economic Development Capacity Grant program.

Proposals received	Proposals approved	Proposals not approved	Total $ approved
7	3[10]	4	$2085

To follow are further details on NKDFS proposals:

[10] One proposal – from Fort Fraser Chamber of Commerce for a series of volunteer capacity-building workshops – was turned down, but the Board approved $500 for a small needs assessment related to the project. Details on page 21.

Project Title: **Heart of BC Tourism Association 2001 Planning Workshop**

Proponent: **Heart of BC Tourism Association**

Grant: **$750**

Date Approved: **January 17, 2001**

Location: **Vanderhoof/Stoney Creek**

Project Summary

The Heart of BC Tourism Association was formed as a direct result of the March 2000 Tourism Conference held in Vanderhoof (and supported by NKDFS). The Association was incorporated on November 24, 2000.

The purpose behind the day-long planning workshop was for regional tourism operators to come together and develop joint goals and a vision for the Association. The workshop took place in March 2001, with 20 participants representing many areas of the Stuart-Nechako region. As well as a list of common goals, they developed the following vision:

> *The Heart of BC Tourism Association will work to provide social and economic benefits through the promotion and provision of diverse, quality tourism experiences.*

Project Title: **Fort Fraser Proposal Writing Workshop**

Proponent: **Fort Fraser Chamber of Commerce**

Grant: **$835**

Date Approved: **January 26, 2001**

Location: **Fort Fraser**

Project Summary

Most of Fort Fraser's community organizations are operated on a volunteer basis and the community relies heavily on their involvement. This workshop was aimed at providing the training necessary for these organizations to develop and submit their own funding proposals. Following the completion of a volunteer training needs assessment, the number one choice of training for the 12 organizations surveyed was in proposal-writing.

The day-long workshop was conducted in mid-March 2001 and attended by 12 individuals representing 9 volunteer organizations. All evaluations of the event were positive.

Project Title: **Fort Fraser Volunteer Training Needs Assessment**

Proponent: **Fort Fraser Chamber of Commerce**

Grant: **$500**

Date Approved: **July 26, 2000**

Location: **Fort Fraser**

Project Summary

The Fort Fraser Chamber of Commerce submitted a proposal to the NKDFS to hold a series of capacity-building workshops for local volunteer agencies. Although the NKDFS Board considered that the concept had some positive aspects, they felt that more planning was needed to ensure that the workshops provided would be well attended and relevant.

With the realization that more planning would take some extra coordination, the NKDFS showed its support to the community by providing a $500 grant for conducting a training needs assessment.

Subsequently 12 local volunteer organizations in Fort Fraser and Nautley (Nadleh Whut'en First Nation) identified the types of workshops/skills that would be useful to them. Topping the list was proposal-writing (see above); also included were fund-raising, marketing, planning and evaluation.

Economic Development Capacity Grant proposals not approved:

Fisheries Technical Assistant Training	College of New Caledonia, Nechako
Community Funding Assistance Project	Vanderhoof Chamber of Commerce
Sub-tidal Invertebrate Inventory	Kitamaat Village Council
Request for "seed money" for Regional Tourism Committee	Community Futures Development Corporation of Stuart-Nechako

4.0 Financial Statements

The annual audit of the NKDFS was completed in early May 2001 by Edmison Mehr Chartered Accountants (Smithers).

Financial Highlights:

Net administration assets	$1,746
Net grant fund assets	$717,438
Net loans fund assets	$1,010,866
Net total assets	***$1,730,050***
Total administration expenses	$83,098
Total grant payments	$149,053

The figures above illustrate that the Society has surpassed its goal of keeping administration costs to 10% of annual revenue.

The remaining investment of the Northern Development Fund is overseen by the British Columbia Investment Management Corporation. Reports on the Fund are generated quarterly. To receive reports on the Northern Development Fund, the Corporation can be contacted at (250) 356 9036.

To follow are the audited year-end statements.